

Message Text

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E.O. 11652: N/A

TAGS: EAIR, UR, US

SUBJECT: PAN AM TICKETING PROBLEMS

REF: A) MOSCOW 11698, B) STATE 181593, C) MOSCOW 11373

1. BEGIN SUMMARY: DURING RECENT MEETING WITH PAN AM PRESENTATIVES, MINISTRY OF CIVIL AVIATION OFFICIALS STATED THAT CURRENT TICKETING RESTRICTIONS WILL CONTINUE UNTIL A BILATERAL AGREEMENT IS REACHED ON SCHEDULING AND THAT THE USSR IS PREPARED FOR THE CONSEQUENCES IF FREQUENCIES ARE REDUCED TO TWO PER WEEK AFTER OCTOBER 31. ESTIMATED PAN AM TICKETING LOSSES FOR JULY WERE \$120,000. EMBASSY RECOMMENDS THAT NECESSARY STEPS BE TAKEN PREPARATORY TO LIMITING OF AEROFLOT TICKET SALES IN THE U.S. END SUMMARY.

2. RAWLEIGH TREMAIN, JR., REGIONAL MANAGING DIRECTOR PAN-EUROPE, AND LOCAL PAN AM REP DRAHORAD HAVE BRIEFED EMBASSY ON AUGUST 3 MEETING

AT MINISTRY OF CIVIL AVIATION WITH SAMORUKHOV AND VARIOUS AEROFLOT OFFICIALS. PURPOSE OF TREMAIN'S VISIT WAS TO CONTINUE DIALOGUE AND DISCUSS CURRENT RESTRICTIVE AEROFLOT TICKETING PRACTICES.

3. IN ESSENCE, THEY FOUND SOVIET POSITIONS UNCHANGED. THE SOVIETS ADMITTED THAT THEIR REFUSAL TO TICKET EMIGRANTS ON PAN AM FROM ROME-NEW YORK WAS A NEGOTIATING TACTIC AND THAT THE SITUATION WOULD NOT CHANGE UNTIL A SATISFACTORY BILATERAL AGREEMENT ON
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SCHEDULING HAD BEEN REACHED. SAMORUKHOV ALSO ALLEGED, HOWEVER, THAT

DURING

LAST NOVEMBER'S BILATERAL TALKS IN WASHINGTON, U.S. OFFICIALS HAD STATED

THEY "DON'T CARE" ABOUT THE OFF-LINE SERVICES. NONETHELESS, THE SOVIETS STILL WROTE TICKETS FOR PAN AM ON THESE SERVICES UNTIL RECENTLY WHEN IT BECAME CLEAR TO THEM THAT A "POSITIVE" SCHEDULING AGREEMENT WAS NOT IMMINENT.

4. SAMORUKHOV INDICATED THAT AN ANSWER IS BEING PREPARED TO EMBASSY'S NOTE OF JULY 13 BUT THAT IT WOULD NOT BE POSITIVE. HE REITERATED SOVIET OPPOSITION TO A POOLING ARRANGEMENT ON A 50-50 BASIS UNLESS THERE WERE AN EQUAL NUMBER OF FREQUENCIES. AND HE INDICATED A STRONG INTEREST IN MOVING FORWARD WITH THE JUNE, 1975 INTER-AIRLINE AGREEMENT BUT IMPLIED THAT A HIGHER PRICE MIGHT NOW BE EXACTED FOR PAN AM'S INTRODUCTION OF THE 747. DIRECT SALE OF TICKETS BY AEROFLOT IN THE US WAS ALSO MENTIONED.

5. SAMORUKHOV ALSO CONTINUED TO THREATEND THE PAN AM CHARTER PROGRAM, ARGUING THAT CHARTERS AND DIRECT SERVICE ARE IN A PACKAGE WHICH MUST BE KEPT IN BALANCE. IF REGULAR SERVICE IS CUT TO TWO FLIGHTS PER WEEK AFTER OCTOBER 31, THE CHARTERS MUST ALSO DECLINE. HE ADDED THAT THE SOVIETS SIDE WAS PREPARED FOR THE CONSEQUENCES OF SUCH A CUTBACK. MOST U.S. TOURISTS WOULD THEN FLY ON A THIRD COUNTRY AIRLINE TO THE USSR AND SOVIET EMIGRANTS WOULD CONTINUE TO FLY ALITALIA FROM ROME-NEW YORK.

6. SAMORUKHOV ALSO PROPOSED THAT AMENDMENT 17 TO THE INTERLINE OPERATING AGREEMENT, UNDER WHICH AEROFLOT, AS PAN AM'S GENERAL AGENT IN THE USSR, WOULD COMMIT ITSELF TO ISSUANCE OF TICKETS ON ALL PAN AM SERVICES, BE INCORPORATED INTO ANY NEW "POSITIVE" BILATERAL SCHEDULING AGREEMENT. HE SAID THAT PRESENT NEITHER THE CAB NOR THE USSR MINISTRY OF CIVIL AVIATION HAS APPROVED THIS AMENDMENT.

7. PAN AM SHOULD TAKE A MORE ACTIVE ROLE WITH THE CAB TO WIN APPROVAL OF THE 1975 INTER-AIRLINE AGREEMENT, ACCORDING TO SAMOURKHOV.

TREMAIN'S RESPONSE WAS THAT A CHANGE IN THE CURRENT AEROFLOT TICKETING PRACTICES WAS THE FIRS REQUIREMENT.

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8. DRAHORAD'S ESTIMATE OF JULY PAN AM REVENUE LOSSES IS \$120,000. ALL PREVIOUSLY DESCRIBED TICKETING RESTRICTIONS (REFTEL B) REMAIN IN EFFECT THOUGH THREE SOVIETS WERE ISSUED PAN AM TICKETS MOSCOW-NEW YORK WITH PAYMENTS IN RUBLES. DRAHORAD FEELS THIS WAS SIMPLY DUE TO GROWING AEROFLOT PASSENGER WAITLISTS TO U.S.

9. COMMENT: TICKETING SITUATION REMAINS ESSENTIALLY UNCHANGED SINCE DELIVERY OF EMBASSY NOTE WITH LITTLE PROSPECT NOW OF ANY

CONSTRUCTIVE DEVELOPMENT. EMBASSY BELIEVES ADEQUATE TIME AND WARNING
HAVE NOW BEEN GIVEN ON THIS MATTER AND THAT FURTHER DELAY IN OUR
COUNTERMEASURES COULD SIGNAL A LACK OF SERIOUSNESS ON OUR PART.
EMBASSY THEREFORE RECOMMENDS FOR DEPARTMENT'S CONSIDERATION THAT THE
CAB BE INFORMED OF THE CONTINUING LACK OF PROGRESS, THAT THE CAB
BE ASKED TO PREPARE THE MEASURES NECESSARY FOR LIMITING ISSUANCE
OF AEROFLOT TICKETS IN THE U.S. TO PAN AM TICKET STOCK, AND THAT
THESE PROCEDURES BE IMPLIMENTED UNLESS A POSITIVE SOVIET RESPONSE
IS RECEIVED BY AUGUST 20.
STOESSEL

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